

## Message Text

UNCLASSIFIED

PAGE 01 BRASIL 03367 201748Z

46

ACTION EB-07

INFO OCT-01 ISO-00 AGR-10 CEA-01 CIAE-00 COME-00 DODE-00

FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-02 AID-05 CIEP-02 SS-15 ITC-01 TRSE-00 USIA-15

PRS-01 SP-02 FEAE-00 OMB-01 AF-08 ARA-10 EA-09 EUR-12

NEA-10 IO-13 /152 W

----- 017833

P R 201615Z APR 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 5132

INFO AMEMBASSY BOGOTA PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY ABIDJAN PRIORITY

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 3367

E.O. 11652: N/A

TAGS: EAGR ETRD BR

SUBJECT: COFFEE DEVELOPMENTS IN BRAZIL; POSSIBLE ANGOLAN COFFEE  
PURCHASE

REF: STATE 093322

CONGEN RIO AND EMBASSY PREPARED THIS TELEGRAM.

1. SUMMARY. BASED ON FAS FIELD REPORTS, WE JUDGE THAT RECOVERY  
OF BRAZILIAN COFFEE PRODUCTION IS FASTER THAN EXPECTED. PRO-  
DUCTION FOR THE 1976-77 MARKET YEAR SHOULD REACH 9.5 - 10.0  
MILLION BAGS; THERE ARE EXCELLENT PROSPECTS FOR A SUBSTANTIAL  
GAIN IN PRODUCTION FOR THE FOLLOWING YEAR. ON THE MARKETING  
FRONT, HOLDERS OF COFFEE STOCKS ARE HOLDING BACK SUPPLIES IN  
EXPECTATION OF HIGHER PRICES. IBC'S EXPORT DIRECTOR HAS  
CONFIRMED THAT BRAZIL IS SEEKING TO PURCHASE ANGOLAN ROBUSTA  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BRASIL 03367 201748Z

COFFEE FOR USE IN BLENDING INSTANT COFFEE FOR EXPORT. AT

THIS TIME, IT IS UNCLEAR WHETHER THIS DEAL WILL MATERIALIZE.  
END SUMMARY.

2. COFFEE PRODUCTION OUTLOOK.

DURING A FIELD TRIP FROM MARCH 30 TO APRIL 8, FAS FOUND EVIDENCE OF A REMARKABLE RECOVERY OF COFFEE TREES FROM LAST JULY'S FROST DAMAGE IN PARANA AND WESTERN SAO PAULO. FAVORABLE WEATHER AND EXCELLENT FARMER CARE OF DAMAGED TREES ACCOUNT FOR THIS IMPROVEMENT. THE ABUNDANT NEW GROWTH ON THE TREES PROMISES TO YIELD A BETTER-THAN-EXPECTED HARVEST IN PARANA AND SAO PAULO, WMDZEOVIDED THAT ADEQUATE TEMPERATURE AND RAINFALL CONTINUE TO PREVAIL UNTIL THE COMING FLOWERING SEASON, WHICH IS SEPTEMBER THROUGH NOVEMBER. AT THIS TIME, FAS FORECASTS THAT PRODUCTION FOR THE 1976-77 MARKET YEAR SHOULD REACH 9.5 - 10.0 MILLION BAGS. IT IS TOO EARLY TO PREDICT PRODUCTION FOR THE FOLLOWING YEAR, BUT PROSPECTS ARE EXCELLENT FOR A SUBSTANTIAL GAIN IN PRODUCTION.

3. COFFEE MARKETING DEVELOPMENTS. COFFEE EXPORTERS REPORTA THAT COFFEE GROWERS AND MIDDLE-MEN (AND EXPORTERS AS WELL) ARE HOLDING BACK SUPPLIES IN EXPECTATION OF EVEN HIGHER PRICES. GROWERS CAN OBTAIN FINANCING AT LOW INTEREST RATES (8 PERCENT, CENTRAL BANK RESOLUTION 71) FOR UP TO 80 PERCENT OF THE GOB SUPPORT PRICE AND CAN OBTAIN THE BALANCE FROM COMMERCIAL BANKS AT MARKET INTEREST RATES. WITH THIS FINANCING, GROWERS CAN KEEP THEIR STOCKS FOR A FAIRLY LONG PERIOD OF TIME WITHOUT FEELING PRESSED TO SELL. ACCORDING TO IBC'S EXPORT DIRECTOR, DELAURO DE OLIVEIRA BAUMGRATZ, BRAZIL MAY USE IBC STOCKS TO REGULATE THE MARKET IF PRICES QUOTE SKYROCKET UNQUOTE. HE DID NOT INDICATE, HOWEVER, AT WHAT PRICE LEVEL THIS INTERVENTION MAY OCCUR.

4. ANGOLA PURCHASE.

THE IBC EXPORT DIRECTOR HAS CONFIRMED NEGOTIATIONS BETWEEN BRAZIL AND ANGOLA FOR THE PURCHASE OF FIVE HUNDRED TO ONE MILLION BAGS OF ROBUSTA COFFEE. ANGOLA WOULD SUPPLY COFFEE OUT OF AN ESTIMATED STOCK OF TWO MILLION BAGS, BAUMGRAT SAID. A BRAZILIAN TRADE MISSION, INCLUDING THE IBC DIRECTOR FOR DOMESTIC CONSUMPTION, AND REPS FROM THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BRASIL 03367 201748Z

MINISTRIES OF FOREIGN AFFAIRS AND INDUSTRY AND COMMERCE, VISITED ANGOLA TO NEGOTIATE THE PURCHASE AS WELL AS TO EXPLOIT OTHER TRADE OPPORTUNITIES IN THAT COUNTRY. BAUMGRATZ LEFT THE IMPRESSION THAT THE COFFEE DEAL MAY INVOLVE A BARTER ARRANGEMENT COMMENT: MOST PROBABLY INCLUDING BRAZILIAN RICE), BUT HE STATED HE HAD NO INDICATION OF THE OUTCOME OF THE NEGOTIATIONS. IF THE DEAL MATERIALIZES, HE SAID IBC WOULD SELL THE ANGOLAN ROBUSTA COFFEE TO INSTANT

COFFEE PRODUCERS THAT CURRENTLY RECEIVE THEIR GREEN COFFEE FROM IBC STOCKS. THE PRICE TO PRODUCERS WOULD BE CALCULATED ON THE BASIS OF THE PRICE OF ROBUSTA COFFEE IN THE INTERNATIONAL MARKET, AND AN ADJUSTMENT FOR THE DIFFERENCE IN INSTANT COFFEE YIELD BETWEEN ROBUSTA AND BRAZIL'S ARABICA (ON THE AVERAGE, ARABICA GREEN COFFEE YIELDS 37 PERCENT AND ROBUSTA 42 PERCENT OF INSTANT). THE PRICE WOULD BE LESS THAN THE MARKET PRICE, BAUMGRATZ SAID, AND AS SUCH COULD BE CONSIDERED IBC SUBSIDY. (THE ROBUSTA COFFEE PRICE IS USUALLY LESS THAN ARABICA, WITH THE CURRENT DIFFERENTIAL AROUND 15 PERCENT.)

5. PRESS REPORTS ON APRIL 16 SAID THAT A DECISION ON THE PURCHASE OF ANGOLAN COFFEE WILL BE MADE NEXT MONTH WHEN AN ANGOLAN TRADE MISSION VISITS BRAZIL. IN THE MEANTIME, ACCORDING TO THE REPORTS, THE ANGOLANS WILL STUDY THEIR STOCK SITUATION, AND FOR THIS REASON NO SPECIFIC QUANTITY TO BE PURCHASED WAS REVEALED.

6. SOME LEADERS OF THE COFFEE GROWERS COMMUNITY HAVE CRITICIZED THE GOB'S INTENTION TO IMPORT ANGOLAN COFFEE. THEY ARGUE THAT COFFEE IMPORTS WILL ALLEVIATE CURRENT PRESSURES IN THE DOMESTIC MARKET AND PRICES WILL FALL. THE IBC CONTENDS THAT AS THE IMPORTED COFFEE WILL NOT BE THROWN IN THE DOMESTIC MARKET (EITHER FOR CONSUMPTION BY ROASTERS OR FOR EXPORT) BUT RATHER WILL BE SUPPLIED TO THE INSTANT INDUSTRY, AND THEREFORE WILL NOT DEPRESS LOCAL PRICES.

7. EMBASSY IS ATTEMPTING TO OBTAIN FURTHER INFORMATION ON THE POSSIBLE ANGOLAN PURCHASE, AS REQUESTED IN STATE 93322. FAS COFFEE REPORT IS NOW BEING PREPARED.

CRIMMINS  
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BRASIL 03367 201748Z

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COFFEE, AGRICULTURAL PRODUCTION, SALES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 APR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BRASIL03367  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760149-0482  
**From:** BRASILIA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760445/aaaablft.tel  
**Line Count:** 154  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 93322  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** oatisao  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 JUL 2004 by SilvaL0>; APPROVED <20 SEP 2004 by oatisao>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COFFEE DEVELOPMENTS IN BRAZIL; POSSIBLE ANGOLAN COFFEE PURCHASE  
**TAGS:** EAGR, ETRD, EPAP, BR, AO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006